



# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 16, 2014



## **Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight**

# Report Documentation Page

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# Results in Brief

## *Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight*

September 16, 2014

### Objective

Our objective was to determine whether William Beaumont Army Medical Center (WBAMC) properly managed delinquent accounts more than 180 days delinquent (unpaid) by transferring the debt to the appropriate debt collection agency or by actively pursuing collection. This is the second in a series of reports concerning delinquent medical service accounts (MSAs). This report provides the results of our review performed at WBAMC. We reviewed the 25 highest-dollar delinquent MSAs valued at \$525,209.

### Finding

WBAMC Uniform Business Office (UBO) management did not effectively manage delinquent MSAs. As of May 29, 2013, 1,688 of WBAMC MSAs, valued at \$857,003, were more than 180 days delinquent. Of the accounts reviewed, WBAMC UBO management did not transfer any of the accounts to the U.S. Treasury for collection after the accounts were more than 180 days delinquent. Further, WBAMC UBO management did not actively pursue collection for 20 of the delinquent MSAs, valued at \$455,775. This occurred because, among other reasons, WBAMC UBO management did not have a system in place to monitor and notify staff of MSAs needing followup.

### Finding (cont'd)

As a result, WBAMC UBO management missed opportunities to collect \$337,752 in delinquent payments due on the highest-dollar accounts. Unless WBAMC UBO management improves collection efforts and takes prompt and aggressive actions to collect the delinquent debt from the MSAs reviewed, including \$331,794 worth of other delinquent MSAs, WBAMC UBO will continue to experience rising delinquent balances for future MSAs. WBAMC UBO took corrective actions such as transferring claims, contacting patients on some of the claims in our sample, and performing an internal review.

### Recommendations

We recommend the Commander, WBAMC, upon completion of the internal review, provide the results of the internal review, planned corrective actions, and collection efforts for the remaining open delinquent medical service accounts. We also recommend the Commander, WBAMC, provide annual training to staff on MSA guidance, and establish procedures to validate that staff collect accurate and complete demographic and billing patient information before patient discharge.

### Management Comments

Comments from the Chief of Staff, U.S. Army Medical Command addressed all specifics of the recommendations. We request that the Chief of Staff, U.S. Army Medical Command provide additional comments on the potential monetary benefits in response to this report by October 16, 2014. Please see the Recommendations Table on the back of this page.

## ***Recommendations Table***

<b>Management</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Commander, William Beaumont Army Medical Center		1, 2, 3, 4, 5



**INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

September 16, 2014

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Delinquent Medical Service Accounts at William Beaumont Army Medical Center  
Need Additional Management Oversight (Report No. DODIG-2014-112)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report. William Beaumont Army Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless William Beaumont Army Medical Center Uniform Business Office management acts to collect \$669,546 in delinquent debt and improves its collection process, they will continue to incur rising delinquent balances for future medical service accounts.

DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Chief of Staff, U.S. Army Medical Command, addressed all specifics of the recommendations, and we do not require additional comments. We request additional comments from the Chief of Staff, U.S. Army Medical Command, on the potential monetary benefits. We should receive your comments by October 16, 2014.

Please send a PDF file containing your comments to [audcmp@dodig.mil](mailto:audcmp@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to James Degaraff at (757) 989-1233.

A handwritten signature in cursive script, reading "Amy J. Frontz", is positioned above the typed name.

Amy J. Frontz  
Principal Assistant Inspector General  
for Auditing

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# Introduction

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## Objective

Our objective was to determine whether William Beaumont Army Medical Center (WBAMC) properly managed accounts more than 180 days delinquent (unpaid) by transferring the debt to the appropriate debt collection agency or by actively pursuing collection.

We plan to issue a series of reports on delinquent medical service accounts (MSAs) at selected military medical treatment facilities (MTFs). This is the second in the series of reports and provides the results of our review of MSAs at WBAMC. The first report, Report No. DODIG-2014-101, provided the results of our review of MSAs at Brooke Army Medical Center. See Appendix A for the scope and methodology and prior coverage related to the audit objective. During the audit, we also identified a potential breach of personally identifiable information and protected health information unrelated to the announced objective. See Appendix B for details.

## Background

### ***William Beaumont Army Medical Center***

WBAMC is located in El Paso, Texas. According to the center's website, their mission is to deliver comprehensive, high quality and preventative services to warriors in transition, soldiers, family members, and patients entrusted to them. WBAMC specializes in complete medical care, hosts a medical education program, and serves as a trauma center for the surrounding community. WBAMC uses the MSA function to record the billing and collecting of funds for medical and dental services from Uniformed Services<sup>1</sup> beneficiaries, civilian emergency patients, and other patients authorized treatment at the center. MSA activities include the primary-payer billing of individuals and other Government agencies for services rendered in military MTFs.

### ***U.S. Army Medical Command***

U.S. Army Medical Command (MEDCOM) oversees all Army-fixed hospitals both inside and outside of the U.S., including WBAMC. According to its website, MEDCOM currently manages a \$13 billion budget and cares for more than 3.95 million beneficiaries including active-duty members of all Military Services, retirees, and their family members.

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<sup>1</sup> The Uniformed Services include: Army, Marine Corps, Navy, Air Force, Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.

## Criteria

### ***Public Law 104-134, Section 31001, “Debt Collection Improvement Act of 1996”***

The purpose of Public Law 104-134, Section 31001, “The Debt Collection Improvement Act of 1996,” is to maximize collections of delinquent debts owed to the Government by ensuring quick action to enforce recovery of debts and the use of all appropriate collection tools. The law also ensures that debtors (people who owe money) have all appropriate due process rights, including the ability to verify, challenge, and compromise claims, and access to administrative appeals procedures which are both reasonable and protect the interests of the U.S. The law aims to minimize the costs of debt collection by consolidating related functions and activities. Further, the law<sup>2</sup> establishes that if a nontax debt or claim owed to the U.S. has been delinquent more than 180 days, the head of the executive agency that administers the program that gave rise to the debt or claim shall transfer the debt or claim to the Secretary of the Treasury.

### ***DoD Financial Management Regulation “Management and Collection of Individual Debt,” Volume 5, Chapter 28***

DoD Financial Management Regulation (DoD FMR), “Management and Collection of Individual Debt,” volume 5, chapter 28, requires DoD Components to establish and maintain a debt management program to identify, recover, and collect debts individuals owe to the U.S. The DoD FMR states that DoD Components shall take prompt and aggressive action to recover and collect debts owed to DoD and shall pursue continuing followup actions, as necessary, to ensure that debts are collected. The DoD FMR also identifies that, except when a debtor can prove financial hardship or another reasonable cause exists, installment plans shall be at least \$50 each month and shall be sufficient to liquidate a debt within 3 years or less. DoD is required to refer individual debt that has been delinquent for 180 days to Financial Management Services, Department of Treasury for continued collection action in accordance with section 3711, title 31, United States Code.

### ***DoD 6010.15-M “Military Treatment Facility Uniform Business Office Manual”***

DoD 6010.15-M, “Military Treatment Facility Uniform Business Office (UBO) Manual,” November 2006, provides guidelines for military MTF business office operation.

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<sup>2</sup> Now codified, in part, in section 3711, title 31, United States Code, “Collection and Compromise.”

It recommends uniform procedures and accounting systems for the management and followup of accounts. The manual incorporates procedures for third party collection activities, including identification of beneficiaries who have other health insurance, coordination of benefits, and recovery of claims. It also outlines methods of settling outstanding accounts receivable and transferring delinquent accounts. The manual states that a military MTF shall charge civilian patients who are not eligible beneficiaries a reasonable charge, as determined by the Secretary of Defense, for trauma and other medical care. The military MTF then shall retain and use the amounts collected for administrative, operating, and equipment costs; readiness training; or trauma consortium activities.

### ***U.S. Army Medical Command FedDebt Program Standard Operating Procedures, May 2013***

The MEDCOM FedDebt Program Standard Operating Procedures (SOP) provides guidance for UBO managers or designated representatives on using the U.S. Treasury's FedDebt Program for transferring and collecting delinquent debt. This program uses Cross-Servicing and Treasury Offset to recover debts due to the U.S. Government. The SOP provides users with instructions and training to access FedDebt, instructions on due process and determining which debts are not eligible for reporting to FedDebt, and instructions on recalling debts.

### **Review of Internal Controls**

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. WBAMC UBO management did not effectively manage delinquent MSAs. In addition, we identified internal control weaknesses associated with the oversight process, installment payments, and patient data collection in accordance with DoD Instruction 5010.40. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

## Finding

### William Beaumont Army Medical Center Did Not Effectively Manage Delinquent Medical Service Accounts

WBAMC UBO management did not effectively manage delinquent MSAs. As of May 29, 2013, 1,688 of WBAMC MSAs, valued at \$857,003, were more than 180 days delinquent. We reviewed the 25 highest-dollar delinquent MSAs, valued at \$525,209, and found that WBAMC UBO management did not transfer any of the accounts to the U.S. Treasury for collection after the account was delinquent for 180 days. Furthermore, WBAMC UBO management did not actively pursue collection for 20 of the delinquent MSAs, valued at \$455,775.

The large numbers of delinquent MSAs, including the 25 sample items reviewed, existed because WBAMC UBO management did not have a system in place to monitor the delinquent MSAs, prioritize the aging accounts, and notify staff of the MSAs requiring followup. Additionally:

- WBAMC UBO management stated they were unaware of the MEDCOM FedDebt guidance to transfer delinquent debt to the U.S. Treasury;
- WBAMC management did not ensure the collection of complete and accurate patient information before discharge;
- WBAMC UBO management allowed patients to make installment payments not in accordance with DoD regulations; and
- MEDCOM did not require the use of the wage garnishment<sup>3</sup> tool.

As a result, WBAMC UBO management missed opportunities to collect \$337,752<sup>4</sup> in delinquent payments due on the highest-dollar accounts. Unless WBAMC UBO management improves collection efforts and takes prompt and aggressive actions to collect the delinquent debt, among the MSAs reviewed and the \$331,794<sup>5</sup> of other delinquent MSAs, WBAMC UBO will continue to incur rising delinquent balances for future MSAs.

<sup>3</sup> The taking of a debtor's wages to pay a debt.

<sup>4</sup> We obtained the universe of delinquent MSAs on May 29, 2013. Throughout our review, we determined WBAMC UBO collected \$139,217 on 12 MSAs selected for review. In addition, WBAMC UBO corrected errors in patient records on 4 MSAs that resulted in a net reduction of delinquent debt of \$38,382, and had 1 MSA that contained \$9,858 in services not covered.

<sup>5</sup> The outstanding balance of the other 1,663 MSAs not included in our sample.

## Management of Delinquent Medical Service Accounts Needs Improvement

WBAMC UBO management did not transfer 1,688 delinquent accounts to the U.S. Treasury for collection and did not take aggressive action to perform timely followup for 20 of the 25 delinquent MSAs we sampled. Public Law 104-134 and the DoD FMR require agencies to transfer debts that received proper due process<sup>6</sup> and are more than 180 days old to the U.S. Treasury for collection. Table 1 illustrates the 20 MSAs reviewed that had no collection efforts for more than 6 months.<sup>7</sup>

*Table 1. Medical Service Accounts Reviewed With No Collection Efforts for 6 Months or More*

Account	Months With No Collection Efforts	Amount (\$)	Account	Months With No Collection Efforts	Amount (\$)
<b>373227</b>	73	\$64,952.13	<b>378666</b>	80	\$17,554.13
<b>422363</b>	12*	\$39,190.03	<b>413261</b>	28	\$17,391.65
<b>412865</b>	27	\$38,827.93	<b>414195</b>	30	\$17,391.65
<b>424420</b>	7	\$33,754.80	<b>414745</b>	14	\$15,003.55
<b>421289</b>	11*	\$32,937.13	<b>410079</b>	36	\$14,454.25
<b>419556</b>	19	\$27,585.21	<b>423897</b>	7*	\$13,590.05
<b>385545</b>	69	\$22,600.86	<b>388940</b>	65	\$11,626.23
<b>412273</b>	7	\$22,563.21	<b>427457</b>	10	\$10,767.48
<b>422479</b>	9	\$19,391.64	<b>419800</b>	24	\$8,883.40
<b>414933</b>	14	\$18,629.42	<b>381519</b>	75	\$8,679.96

\* Identifies accounts with multiple instances of no collection efforts for 6 months or more. The number in the table identifies the largest period of no collection effort.

For the 20 accounts listed above, 6 to 73 months elapsed between followup attempts with either a patient or insurance company. As an example, for account 385545, the patient was discharged on January 18, 2008, with services rendered totaling \$22,600.86. No action was taken on the account at WBAMC UBO for approximately 69 months until the debt was transferred to U.S. Treasury. See Appendix C for a summary of the results for the 25 MSAs reviewed.

<sup>6</sup> In the context of Federal debt collection, due process requires a debtor be provided with notice of, and the opportunity to dispute, a debt or intended debt collection action.

<sup>7</sup> We used 6 months as the cut-off for timely collection efforts. This would allow time to account for mailings, insurance reviews, and other correspondence that may take time.

## System Needed to Manage and Prioritize Delinquent Medical Service Accounts

WBAMC UBO management did not have a system in place to prioritize MSAs or alert clerks when an MSA was due for followup. As new accounts were processed, the system that WBAMC used could not manage or prioritize the aging MSAs within the system to alert the clerks of delinquent accounts requiring attention. Therefore, WBAMC UBO did not take prompt and aggressive action to recover and collect debts owed to DoD and to pursue continuing followup actions, as necessary, to ensure that DoD collects debts owed. Additionally, WBAMC personnel did not accurately identify MSAs to transfer to U.S. Treasury.

In March 2014, MEDCOM personnel stated the MSA billing system consisted of three separate aging systems, including spreadsheets and typewriters. The personnel stated that these systems had a limited ability to support followup actions, if at all, and could not keep up with the industry standard. MEDCOM UBO personnel stated a contract was awarded for a new system, but the implementation was not expected until at least September 30, 2014. Without a system or process to notify WBAMC UBO staff of MSAs requiring followup, WBAMC UBO will continue to have delinquent MSAs and risk missing the opportunity to collect on the \$669,546<sup>8</sup> in delinquent MSAs. We recommended in the first report of this series that the Commander, Brooke Army Medical Center validate that the planned system would prioritize delinquent MSAs and alert the clerks as to which accounts require followup. Therefore, we did not make a similar recommendation to WBAMC in this report.

During the audit, UBO management identified all MSAs that were more than 180 days delinquent and started an internal review to ensure aggressive collection efforts have begun. WBAMC management should provide the results of the internal review, planned corrective actions, and collection efforts upon completion of the internal review for the delinquent medical service accounts that remain open.

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<sup>8</sup> The total of the outstanding balance on the 1,663 MSAs not included in our sample and the remaining balance owed after collections and corrections on the 25 MSAs reviewed within our sample.

## Uniform Business Office Chief Unaware of U.S. Army Medical Command FedDebt Guidance

The former WBAMC UBO Chief<sup>9</sup> stated that he was not aware of the MEDCOM FedDebt<sup>10</sup> SOP guidance to transfer delinquent debt to the U.S. Treasury for collection. However, during further discussions with the former WBAMC UBO Chief, he said that he previously provided his staff with the MEDCOM FedDebt SOP guidance. WBAMC staff could not recall when or if the former chief provided the guidance.

The former WBAMC UBO Chief also inappropriately transferred five delinquent MSAs to U.S. Treasury contrary to MEDCOM's FedDebt SOP guidance.

The former WBAMC UBO Chief also inappropriately transferred five delinquent MSAs to the U.S. Treasury contrary to MEDCOM's FedDebt SOP guidance. The MEDCOM FedDebt SOP states that debts not eligible to be entered into FedDebt include debts for deceased debtors. The MEDCOM FedDebt SOP also states that debtors shall be afforded (provided) due process before entering any delinquent debts into FedDebt. Table 2 illustrates the five MSAs reviewed that were inappropriately transferred to Treasury.

*Table 2. Medical Service Accounts Reviewed That Were Transferred Inappropriately*

Account	Amount (\$)	Inappropriate Reason
422363	\$39,190.03	Deceased Patient
412273	\$22,563.21	Deceased Patient
429597	\$19,456.82	Deceased Patient
410079	\$14,454.25	Lacked Due Process
381519	\$8,679.96	Lacked Due Process

Additionally, WBAMC UBO management did not transfer 15 of the 25 MSAs,<sup>11</sup> to the U.S. Treasury as required by the MEDCOM FedDebt SOP guidance. WBAMC management should provide annual training to the WBAMC UBO management

<sup>9</sup> In January 2014, WBAMC personnel informed the audit team the UBO Chief in place at the time of our site visit was replaced by a new UBO Chief.

<sup>10</sup> FedDebt is a Treasury online comprehensive debt management system that allows the UBO staff to directly upload delinquent claims for debts as low as \$25

<sup>11</sup> Five MSAs from the sample, valued at \$172,318, were delinquent as of May 29, 2013, when the sample was pulled. During the audit, WBAMC UBO collected \$98,846 for these MSAs. Based on the evidence provided during the audit, we consider these accounts paid in full.

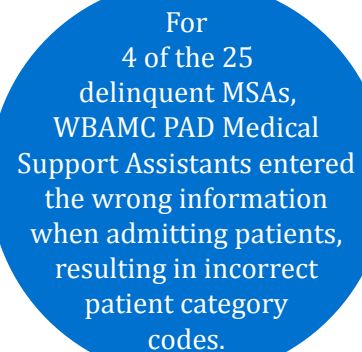
and staff so they are aware of and comply with all guidance governing the transfer and management of delinquent debt. WBAMC management should also recall delinquent debts that were inappropriately transferred to U.S. Treasury and start due process if needed or transfer to MEDCOM as appropriate.

## Patient Data Needed Before Discharge

WBAMC management did not enforce existing guidance requiring the collection of complete and accurate data from patients before they were discharged from the treatment facility. DoD 6010.15-M requires WBAMC to collect information on patients' other health insurance (if any), credit card number, and other applicable means of reimbursement for healthcare services immediately upon outpatient visit or inpatient admission.

WBAMC UBO and Patient Administration Division (PAD) personnel did not always enter complete and accurate patient information before discharge. Patient data collection at WBAMC occurs at multiple points from patient admission to patient discharge. The WBAMC PAD Chief acknowledged a breakdown in the collection of accurate information by the WBAMC PAD Medical Support Assistants.

For 4 of the 25 delinquent MSAs, WBAMC PAD Medical Support Assistants entered the wrong information when admitting patients, resulting in incorrect patient category codes. For account 412865, the patient was a German active duty soldier and was mistakenly coded as a civilian emergency by a medical support assistant, resulting in a charge of \$38,827.93 when the patient was discharged. However, in accordance with an agreement between the Department of Defense and the Ministry of Defense of the Federal Republic of Germany, the soldier should have only been charged \$46.20. It was not until the incorrect code was identified 27 months later that a revised invoice was provided to the patient, who paid the balance within 11 days. Table 3 shows the original incorrect balance and the amount after the coding was corrected.



For  
4 of the 25  
delinquent MSAs,  
WBAMC PAD Medical  
Support Assistants entered  
the wrong information  
when admitting patients,  
resulting in incorrect  
patient category  
codes.

*Table 3. Medical Service Accounts Reviewed That Were Coded Incorrectly*

Account	Incorrect Coded Charge Amount (\$)	Correct Coded Charge Amount (\$)
412865	\$38,827.93	\$46.20
413261	\$17,391.65	\$46.20
414195	\$17,391.65	\$46.20
427457	\$10,767.48	\$10,767.48*

\* WBAMC originally coded this claim as a civilian emergency and not a Veterans Affairs patient. After WBAMC properly coded this MSA, it was no longer considered a civilian emergency and the debt was properly transferred to the Veterans Affairs for processing.

As a result, WBAMC UBO management missed opportunities to improve the collection process and mistakenly over-billed patients. WBAMC management should establish procedures to validate that staff collect complete demographic and billing information before patient discharge.

## Installment Payments Contrary to DoD Regulation

Contrary to DoD Regulation, WBAMC UBO management allowed patients to make installment payments that were not in accordance with DoD policy, for services rendered for four delinquent MSAs, valued at \$43,686. The

WBAMC UBO management allowed patients to make installment payments that were not in accordance with DoD policy, for services rendered for four delinquent MSAs, valued at \$43,686.

DoD FMR requires the debt collection office to base decisions to accept installment payments on a review of the debtor's financial statements or verification of the debtor's financial position. In addition to the financial position requirements, debtors must pay at least \$50 each month and must pay off the debt within 3 years or less, except when a debtor can prove financial hardship or other reasonable causes exist. Table 4 shows the original balance, payment plans, and auditor determined payoff period accepted by WBAMC UBO.

*Table 4. Medical Service Accounts With Noncomplying Installment Plans*

Account	Amount Patient Owes	Installment Amount (monthly)	Estimated Payoff (in Years)*
423897	\$13,590.05	\$50.00	22
429807	\$13,239.33	\$50.00	22
414745	\$6,982.04	\$50.00	11
409111	\$9,874.34	\$100.00	8

\*As of November 28, 2013

Additionally, large lapses in time occurred between payments. For example, for account 423897, the patient was discharged on March 30, 2012, and the first payment was not received until November 13, 2012. Another 5 months passed before the second payment was received on April 24, 2013. We determined the estimated payoff date as if the patient made monthly payments on time of \$50.00.

WBAMC personnel did not have signed payment plans from the debtors for 2 of the 4 delinquent MSAs in the account file showing that WBAMC entered into a legally enforceable agreement with the debtors. These debtors could have been experiencing financial hardship that would prevent WBAMC from collecting the full original balance. However, WBAMC UBO personnel did not complete verification of the debtors' financial position nor establish other reasonable causes to support payment plans that deviated from the standard terms required by DoD regulation. WBAMC UBO management should review, research, and determine whether other delinquent MSAs on installment plans comply with DoD regulation.

## **FedDebt Administrative Wage Garnishment Tool**

MEDCOM did not allow the use of the FedDebt administrative wage garnishment tool, limiting FedDebt personnel in collecting delinquent debt on behalf of WBAMC. FedDebt is an online comprehensive debt management system that allows the UBO staff to directly upload delinquent claims for debts as low as \$25. The system provides real-time visibility into the debt collection efforts and enables military MTF personnel to expedite processing. FedDebt regularly uses three tools to collect debts: 1.) payment agreements; 2.) administrative wage garnishment; and 3.) U.S. Treasury offset. Administrative wage garnishment is a debt collection process that allows a Federal agency to order a non-Federal employer to withhold up to

15 percent of an employee's disposable income (money remaining after taxes) to pay a nontax delinquent debt owed to the agency. Upon implementation of FedDebt, MEDCOM management decided not to use wage garnishment at the military MTFs. MEDCOM management did not believe the funds collected through administrative wage garnishment would be worth the administrative hurdles they believed were necessary to implement the wage garnishment tool. For example, MEDCOM management believed they had to provide debtor employment information to FedDebt. However, FedDebt handles the research necessary to begin administrative wage garnishment. We did not make a recommendation to MEDCOM in this report because we recommended in the first report of this series that MEDCOM implement the FedDebt administrative wage garnishment tool within Army military MTFs.

## Management Corrective Actions Taken

During the course of the audit, WBAMC UBO and PAD management took the following actions, as they related to the 25 MSAs reviewed, to collect on existing debt:

- Reviewed delinquent MSAs with no prompt and aggressive actions taken.
  - If due process was met, the account was transferred to FedDebt.
  - If due process was not met, then due process was initiated.
  - If patient defaulted on a payment agreement, account was transferred to FedDebt.
- Corrected the four MSAs with miscoded patient category codes.

In addition to the 25 MSAs reviewed, WBAMC UBO and PAD management took the following actions on processes related to delinquent MSAs:

- Completed a process review and workflow analysis focusing on due process and managing MSAs less than 180 days delinquent.
- Developed tracking and aging process for all accounts less than 180 days delinquent.
- Identified all MSAs more than 180 days delinquent and started an internal review to ensure aggressive collection efforts have begun.

- Revised local policies so the WBAMC Chief of Resource Management Division is now required to:
  - Transfer delinquent accounts to FedDebt;
  - Establish all payment agreements;
  - Review monthly visibility reports, which identify MSAs that are under 180 days delinquent; and
  - Resolve all MSAs greater than 180 days delinquent.
- Retrained MSA clerks to ensure proper patient category coding.

## Conclusion

WBAMC UBO management missed opportunities to maximize collections for \$337,752 worth of delinquent payments due on the 25 highest-dollar MSAs. These funds could have been applied to other valid requirements such as administrative, operating, and equipment costs; readiness training; or trauma consortium activities. Unless WBAMC improves collection procedures and takes prompt and aggressive action to pursue and attempt collection of the delinquent debt among the MSAs reviewed, and the \$331,794 worth of other delinquent MSAs, WBAMC UBO will continue to incur rising delinquent balances for future MSAs. See Appendix D for details on potential monetary benefits.

## Recommendations, Management Comments, and Our Response

**We recommend that the Commander, William Beaumont Army Medical Center:**

### ***Recommendation 1***

**Provide the results of the internal review, planned corrective actions, and collection efforts upon completion of the internal review for the remaining open delinquent medical service accounts.**

### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, responding for the Commander, WBAMC, agreed, stating that WBAMC completed the internal review and instituted an aging system to track and manage MSAs. He stated that these improvements resulted in collections of \$173,156.31 and transfers of \$141,838.78. The Chief of Staff also stated that WBAMC made substantial progress over the last 6 months and will continue these efforts in FY 2015; however, WBAMC requires an electronic billing solution to sustain and accelerate collection efforts.

### *Our Response*

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

## **Recommendation 2**

**Provide annual training to Uniform Business Office staff so they are aware of and comply with all guidance governing the transfer and management of delinquent debt.**

### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, responding for the Commander, WBAMC, agreed, stating that WBAMC UBO leadership and staff have been trained on the expectations and policies governing the transfer and management of delinquent debts. In addition, he stated that continued training will focus on due process and properly managing accounts less than 180 days to prevent delinquency. Finally, the Chief of Staff stated that the WBAMC UBO Chief will perform annual training sessions with the UBO and PAD personnel.

### *Our Response*

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

### ***Recommendation 3***

**Recall delinquent debts that were inappropriately transferred to U.S. Treasury and start due process if needed or transfer to the U.S. Army Medical Command as appropriate.**

#### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, responding for the Commander, WBAMC, agreed, stating that all delinquent accounts identified that were inappropriately transferred to U.S. Treasury have been recalled and due process has begun as needed or accounts transferred to MEDCOM as appropriate.

#### *Our Response*

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

### ***Recommendation 4***

**Establish procedures to validate that staff collect accurate and complete demographic and billing patient information before patient discharge.**

#### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, responding for the Commander, WBAMC, agreed, stating that WBAMC UBO and PAD staff were reoriented and trained on command policies, which included procedures to validate and collect accurate and complete demographic and billing patient information before patient discharge. The Chief of Staff also stated that training will be conducted quarterly for the MSA offices and monthly for the UBO staff.

#### *Our Response*

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

## **Recommendation 5**

**Review, research, and determine whether other repayment installment plans arranged by the Uniform Business Office are sufficient or in need of revisions to comply with DoD Financial Management Regulation, volume 5, chapter 28.**

### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, responding for the Commander, WBAMC, agreed, stating that the WBAMC Staff Judge Advocate reviewed and revised the payment installment plans to ensure compliance with DOD Financial Management Regulation. The Chief of Staff also stated that uncollected Medicare and Medicaid claims will be transferred to FedDebt once due process is complete.

### *Our Response*

Comments from the Chief of Staff, MEDCOM, addressed all specifics of the recommendation, and no further comments are required.

## **Management Comments on the Internal Controls and Our Response**

### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, acknowledged our identification of internal control weaknesses and stated that actions taken in response to the recommendations should correct these weaknesses.

### *Our Response*

Comments from the Chief of Staff, U.S. Army MEDCOM were responsive and no further comments are required.

## **Management Comments on Potential Monetary Benefits and Our Response**

### *U.S. Army Medical Command Comments*

The Chief of Staff, MEDCOM, disagreed with the potential monetary benefits identified, stating the \$669,546 identified is overstated as it is the full billing amount. The Chief of Staff indicated the 1,663 MSAs that were not included in the sample may have had collections or corrections that would have reduced the

outstanding balance. Additionally, he indicated offset costs, to include direct or indirect costs incurred in implementing the action, should be considered in computing the potential collections.

The Chief of Staff stated that in the past year, MEDCOM transferred more than \$50 million to the U.S. Treasury and collected about \$2.25 million, or about 5 percent. He stated that the 5-percent rate was more reasonable to calculate the monetary benefits; however, he noted that corrective action implemented by WBAMC has already exceeded this anticipated return.

### *Our Response*

The full billing amount or original charge for the 1,688 MSAs more than 180 days delinquent totaled \$857,003. The \$669,546 in potential monetary benefits was derived from the outstanding balance on the universe of 1,688 MSAs, based on the data provided by MEDCOM on May 29, 2013. Although MEDCOM has only seen a 5-percent return of monetary benefits from the FedDebt program, until the U.S. Treasury compromises the debt, it is considered potentially collectible. There are potentially hundreds of delinquent MSAs that WBAMC could transfer to FedDebt that may increase the collection percentage further. In addition, MEDCOM appears to have only included the amount collected from the Treasury FedDebt program, which is not representative of all MSA debt. The potential monetary benefits must include collections from all available methods, including insurance, Medicaid, and patient payments. By reviewing and researching the claims, WBAMC has already collected and exceeded the anticipated return of 5 percent through proper due process and management of the MSAs. Therefore, we do not agree that 5 percent of the outstanding balance is a more reasonable basis for calculating potential monetary benefits.

We requested in the first report of this series that the Chief of Staff, MEDCOM, provide support for the collection sources that comprise the 5-percent collection rate, including proposed offsets, and reconsider his position on the potential monetary benefits. We also request that the Chief of Staff reconsider his position on the potential monetary benefits included in this report.

## Appendix A

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### Scope and Methodology

We conducted work used as a basis for this audit from July 2013 through November 2013 under DoD IG Project No. D2013-D000CL-0182.000. In November 2013, we decided to issue multiple reports as a result of those efforts. From November 2013 through January 2014, we primarily performed work on another report in this series. In January 2014, we announced DoD IG Project No. D2014-D000CL-0089.000 specifically for the audit of delinquent MSAs at WBAMC and conducted this performance audit through July 2014. We completed both projects in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### Review of Documentation and Interviews

We interviewed personnel from the Office of the Under Secretary of Defense (Comptroller), Defense Finance and Accounting Services Debt Collection Management Office, MEDCOM, WBAMC, and the U.S. Treasury Financial Management Services to obtain information and source documentation on delinquent MSA debt and collection efforts at WBAMC. During the site visits to WBAMC, in El Paso, Texas, and MEDCOM, in San Antonio, Texas, we observed daily procedures performed by personnel and examined key documents related to the audit objective.

We obtained, reviewed, and analyzed Federal, DoD, Army, and local guidance, related to delinquent MSA debt and collection efforts at WBAMC. We focused our review on:

- Public Law 104-134, Section 31001, “Debt Collection Improvement Act of 1996;”
- DoD Financial Management Regulation, volume 5, chapter 28, “General Provisions of Indebtedness,” November 2012;

- DoD 6010.15-M “Military Treatment Facility Uniform Business Office Manual,” November 2006;
- U.S. Army Medical Command Standard Operating Procedures on Medical Services Account Receivable; and
- U.S. Army Medical Command FedDebt Program Standard Operating Procedures, May 2013.

Our review included WBAMC MSAs that were open for more than 180 days from August 2001 through October 2012. Those MSAs represented a universe of 1,688 accounts, valued at \$857,003, that were more than 180 days old. According to Department of Army Form 3154, payment of the bill is due upon receipt. If payment is not received for the debt within 30 days of hospital discharge or outpatient date of service, the account is subject to referral to higher authority for collection action. We considered these MSAs delinquent because the balance owed to WBAMC was not paid in full, which was after 180 days from date of discharge, by the time we received the data from MEDCOM.

We then nonstatistically selected the top 25 MSAs based on highest outstanding balances, valued at \$525,209. For the 25 MSAs reviewed, we identified the current state of the delinquent MSA debt at WBAMC during our site visit in November 2013. We continued monitoring the status of the collection and correction errors for the MSAs throughout our review. We compared the MSA to applicable Federal, DoD, and local Army guidance to determine compliance related to collection efforts. We did not review each claim for complete compliance with Treasury Regulations regarding whether the MSA was eligible for transfer to the Treasury. In cases where MSAs had been transferred to FedDebt during our review, we compared the MSA documentation to the MEDCOM FedDebt SOP to determine whether the MSA should have been transferred or was inappropriately transferred to FedDebt.

## **Use of Computer-Processed Data**

We relied on computer-processed data to support our findings and conclusions. Specifically, we relied on managements’ summary level delinquent MSA data from the Composite Health Care System to select 25 delinquent MSAs with the highest outstanding balance.

To assess the reliability of the outstanding balances we compared the amount owed for all 25 MSAs to the medical procedure documentation, patient information,

hospital generated bills, staff notes and documentation on attempted collections, and delinquent letters and other types of patient contact for collection. We found no errors with those balances. Based on this information, we determined that the data were sufficiently reliable for the purposes of this report.

## Use of Technical Assistance

The Quantitative Methods Division reviewed audit documents and advised us on the validity of the nonstatistical sample selected.

## Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG), Army Audit Agency and Air Force Audit Agency issued five reports discussing difficulty in obtaining reimbursements for services rendered. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted Army reports can be accessed over the Internet at <https://www.aaa.army.mil/>. Air Force Audit Agency reports can be accessed over the Internet at <https://www.foia.af.mil/palMain.aspx> by those filling out the Freedom of Information Act form.

### ***DoD IG***

DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014

### ***Army***

A-2012-0032-IEM, "Follow-up Audit of Trauma Services Cooperative Agreement Brooke Army Medical Center," December 20, 2011

A-2009-0061-ALE, "Billing Operations U.S. Army Europe Regional Medical Command," March 31, 2009

### ***Air Force***

F2012-0001-FB3000, "Services Medical Activity – Air Force: Out of Service Debt," October 3, 2011

F2011-0039-FCW000, "Services Medical Activity – Air Force Accounts Receivable Out-of-Service Debt 88<sup>th</sup> Air Base Wing Wright-Patterson AFB OH," July 19, 2011

## Appendix B

### Potential Breach of Personally Identifiable Information and Protected Health Information

During the audit, WBAMC UBO staff alerted us that 3 of the 25 MSAs could not be located at the storage warehouse and the files were recreated for audit purposes. As a result, the audit team requested a walk-through of the warehouse. WBAMC UBO staff noted the warehouse was not actually at the hospital but in another building located on Fort Bliss, Texas.

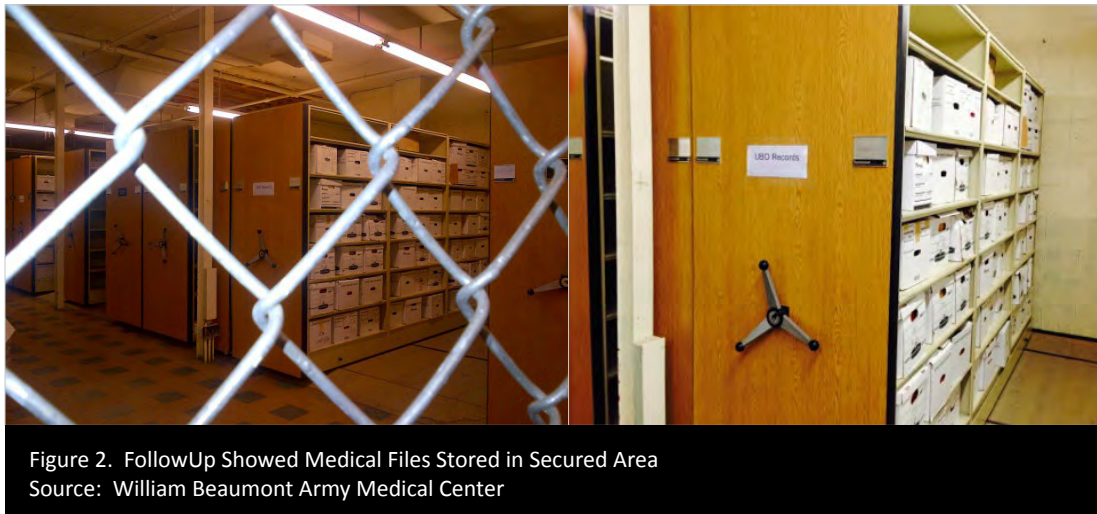
Upon arrival at the warehouse, WBAMC personnel could not identify where the UBO claim files were stored. WBAMC UBO and warehouse staff eventually located the files on pallets outside the secure area.

UBO claimed that the files contained medical, protected health, and personally identifiable information. OMB and DoD guidance requires agencies to establish appropriate administrative, technical, and physical safeguards to insure the security and confidentiality of records containing controlled unclassified information. The UBO claim files were outside the secure area and, therefore, unprotected from unauthorized access and disclosure. See Figure 1 for photos of the UBO claim files.



Figure 1. Medical Files Stored in Unsecured Area  
Source: DoD OIG

After the audit team's site visit, WBAMC UBO and PAD personnel placed all the UBO claim files in a secure area, as required by OMB and DoD guidance. Please refer to Figure 2 for photos taken by WBAMC staff to show where the information now resides.



## Appendix C

### Results of the 25 Medical Service Accounts Reviewed<sup>1</sup>

Account	Universe Balance	Compliance with Public Law 104-134 <sup>2</sup>	Compliance With DoD FMR V5 Ch 28 Regarding Aggressive Collection <sup>3</sup>	Compliance With DoD FMR V5 Ch 28 Regarding Payment Plans <sup>4</sup>	Claim Missing in Warehouse
373227	\$64,952.13	No	No	N/A	No
422363	\$39,190.03	No	No	N/A	No
412865	\$38,827.93	No	No	N/A	No
424420	\$33,754.80	No	No	N/A	No
421289	\$32,937.13	No	No	N/A	No
419556	\$27,585.21	No	No	N/A	No
385545	\$22,600.86	No	No	N/A	No
412273	\$22,563.21	No	No	N/A	No
429597	\$19,456.82	No	Yes	N/A	No
422479	\$19,391.64	No	No	N/A	No
414933 <sup>5</sup>	\$18,629.42	No	No	N/A	No
414745	\$15,003.55	No	No	No	No
429619	\$17,867.57	No	Yes	N/A	No
378666	\$17,554.13	No	No	N/A	Yes
413261	\$17,391.65	No	No	N/A	No
414195	\$17,391.65	No	No	N/A	No
410079	\$14,454.25	No	No	N/A	Yes
423897	\$13,590.05	No	No	No	No
429807	\$13,239.33	No	Yes	No	No
388940	\$11,626.23	No	No	N/A	No
427457	\$10,767.48	No	No	N/A	No
418149	\$16,837.42	No	Yes	N/A	No
419800	\$8,883.40	No	No	N/A	No
409111	\$9,874.34	No	Yes	No	No
381519	\$8,679.96	No	No	N/A	Yes

<sup>1</sup> Chart is as of time of review during the site visit, November 19, 2013, chart does not reflect management corrective actions after audit team's review

<sup>2</sup> Was the debt transferred to the U.S. Treasury after a delinquency of 180 days

<sup>3</sup> Was there evidence provided showing WBAMC UBO management took prompt and aggressive action or performed timely followup on the delinquent MSA

<sup>4</sup> Was evidence provided showing patient payments plans set up correctly

<sup>5</sup> Claim 414933 and Claim 414745 are for the same patient.

## Appendix D

### Potential Monetary Benefits Table

Recommendation	Type of Benefit*	Amount of Benefit	Account
1	Economy and Efficiency. WBAMC collection of delinquent debts for services rendered could be used for administrative, operating, and equipment costs; readiness training; or trauma consortium activities.	Total Benefit, \$669,546	97 0130 1881 (DHP O&M)

\*Potential monetary benefits are funds put to better use or questioned costs

#### Legend

DHP O&M Defense Health Program Operations and Maintenance

WBAMC William Beaumont Army Medical Center

# Management Comments

## U.S. Army Medical Command



DEPARTMENT OF THE ARMY  
OFFICE OF THE SURGEON GENERAL  
7700 ARLINGTON BOULEVARD  
FALLS CHURCH, VA 22042-5140

MCIR

21 AUG 2014

MEMORANDUM FOR Department of Defense Inspector General, Contract Management and Payments, [REDACTED]

SUBJECT: Reply to DODIG Draft Report, Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight (Project No. D2013-D000CL-0089.000)

1. Thank you for the opportunity to review this report. Our comments are enclosed for your consideration.
2. Our point of contact is [REDACTED] Internal Review and Audit Compliance Office, [REDACTED]

FOR THE SURGEON GENERAL:

Encl

  
ULDRIC L. MORE, JR.  
Chief of Staff

## U.S. Army Medical Command (cont'd)

### U.S. Army Medical Command (MEDCOM) and Office of the Surgeon General (OTSG)

#### Comments on DODIG Draft Report Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight (Project No. D2013-D000CL-0182.000)

**RECOMMENDATION 1:** Provide the results of the internal review of MSAs over 180 days delinquent, planned corrective actions, and collection efforts upon completion of the internal review for the remaining open delinquent medical service accounts.

**RESPONSE:** Concur. William Beaumont Army Medical Center (WBAMC) completed the internal review and instituted an aging system to track and manage medical service accounts. The system will ensure proper aging of all new accounts in FY14. In addition, the Chief, Resource Management Division (RMD) reviews and approves all FedDebt submissions to ensure due process. The RMD Chief receives monthly 30/60/90/120-day visibility reports, in addition to accounts greater than 180 days, to ensure monthly reconciliation and resolution of delinquent accounts. These improvements have resulted in collections of \$173,156.31 and transfers of \$141,838.78, a total reduction of \$314,995.

WBAMC requires an electronic billing solution to sustain collection efforts. Implementation of the Army Billing and Collection Utilization Solution (ABACUS) or an alternative electronic billing solution would optimize Uniform Business Operations between Medical Service aged accounts and Veteran Affairs billing. Such systems provide an automated tracking log to better track and manage aged accounts. In addition to streamlining processes, it will allow WBAMC to internally shift workload and remain current on both MSA aged accounts and VA billing. WBAMC has made substantial progress over the last 6 months and will continue these efforts in FY 15; however, an electronic billing solution will accelerate these efforts.

**RECOMMENDATION 2:** Provide annual training to Uniform Business Office (UBO) staff so they are aware of and comply with all guidance governing the transfer and management of delinquent debt.

**RESPONSE:** Concur. UBO leadership and staff have been trained on the expectations and policies governing the transfer and management of delinquent debts. Continued training focuses on due process and properly managing accounts less than 180 days to prevent delinquency. In addition, MEDCOM UBO staff have conducted online training sessions with WBAMC UBO staff. The WBAMC UBO Chief will perform annual training sessions with UBO and Patient Administration Division (PAD) staff elements.

Encl

## U.S. Army Medical Command (cont'd)

**RECOMMENDATION 3:** Recall delinquent debts that were inappropriately transferred to U.S. Treasury and start due process if needed or transfer to the MEDCOM as appropriate.

**RESPONSE:** Concur. All delinquent accounts identified by the DODIG team that were inappropriately transferred to U.S. Treasury have been recalled and due process has begun as needed or accounts transferred to MEDCOM as appropriate. When patients defaulted on a payment agreement, the account was transferred to FedDebt. Delinquent debts identified by DODIG for deceased patients were recalled and will be resolved.

**RECOMMENDATION 4:** Establish procedures to validate that staff collect accurate and complete demographic and billing patient information before patient discharge.

**RESPONSE:** Concur. WBAMC UBO and PAD staff were reoriented on Command Policy No. 49 (Front Desk Operational Procedures), dated 24 October 2012, and the MSA Handbook, dated 21 March 2012. Emergency room personnel have been retrained on verification of eligibility procedures in AR 40-400, Chapter 2-2 and Eligibility Verification for Military Installations for Identification Card Issuance Activity. Key UBO staff elements were educated on AR 600-8-14, delineating the various types of Uniformed Services Identification cards. In addition, face-to-face training will be conducted quarterly for MSA Offices, and monthly for UBO staff. Training will include procedures to validate and collect accurate and complete patient demographic information; other health insurance data; credit card information or other means of reimbursement; and identify the correct patient category code.

**RECOMMENDATION 5:** Review, research, and determine whether other repayment installment plans arranged by the UBO are sufficient or in need of revisions to comply with DoD Financial Management Regulation, volume 5, chapter 28.

**RESPONSE:** Concur. Payment installment plans were reviewed by the WBAMC Staff Judge Advocate Office and agreements revised to ensure compliance with the DOD Financial Management Regulation. The Chief, RMD has sole responsibility to authorize payment plans, and delinquent medical service accounts with completed due process will be transferred to the Department of Treasury for further action. In addition, all uncollected Medicare/Medicaid claims will be transferred to FedDebt once due process is complete.

**COMMENTS ON POTENTIAL MONETARY BENEFITS:** MEDCOM non-concurs with the potential monetary benefits outlined in Appendix D.

The amount of stated potential monetary benefits, \$669,546, is the total outstanding balance on the 1,663 MSAs not included in DODIG's sample and the remaining balance owed after collections and corrections on the 25 MSAs reviewed within their sample.

## U.S. Army Medical Command (cont'd)

We believe this amount is overstated. Per DoDM 7600.07-M, DoD Audit Manual, February 13, 2009, benefits should be computed in a reasonable manner and should consider all offset costs. Offset costs include all direct or indirect costs that would be incurred in implementing the action that would result in the monetary benefit.

In accordance with Generally Accepted Accounting Principles, accounts receivable should be recorded and reported at realizable value through the use of an Allowance account for bad debt write-offs. The probability of collection for these aged delinquent debts is extremely low. Over the past year, MEDCOM has transferred more than \$50 million to the U.S. Treasury and received collections of about \$2.25 million, or about 5 percent. This rate provides a more reasonable basis for calculating monetary benefits, and as noted, corrective action implemented by WBAMC has already exceeded this anticipated return.

**COMMENTS ON INTERNAL CONTROL WEAKNESSES:** MEDCOM acknowledges DODIG's identification of internal control weaknesses as stated on page 3 of the draft report, and the intent to provide a copy of the report to the senior official responsible for internal controls in the Department of the Army. Actions taken in response to the recommendations, as outlined above, should correct these weaknesses.

## Acronyms and Abbreviations

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<b>DoD FMR</b>	DoD Financial Management Regulation
<b>MEDCOM</b>	U.S. Army Medical Command
<b>MSA</b>	Medical Service Account
<b>MTF</b>	Medical Treatment Facility
<b>PAD</b>	Patient Administration Division
<b>SOP</b>	Standard Operating Procedure
<b>UBO</b>	Uniform Business Office
<b>WBAMC</b>	William Beaumont Army Medical Center

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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